

“(ii) there is no single venture capital operating company that owns 50 percent or more of the business concern; and

“(iii) there is no single venture capital operating company the employees of which constitute a majority of the board of directors of the business concern.

“(D) If a venture capital operating company controlled by a business with more than 500 employees (in this subparagraph referred to as a ‘VCOC under large business control’) has an ownership interest in a small business concern that is owned in majority part by venture capital operating companies, the small business concern is eligible to receive an award under the SBIR or STTR program only if—

“(i) not more than two VCOCs under large business control have an ownership interest in the small business concern;

“(ii) the VCOCs under large business control do not collectively own more than 20 percent of the small business concern; and

“(iii) the VCOCs under large business control do not collaborate with each other to exercise more control over the small business concern than they could otherwise exercise individually.

“(E) The term ‘venture capital operating company’ means a business concern—

“(i) that—

“(I) is a Venture Capital Operating Company, as that term is defined in regulations promulgated by the Secretary of Labor; or

“(II) is an entity that—

“(aa) is registered under the Investment Company Act of 1940 (15 U.S.C. 80a-51 et seq.); or

“(bb) is an investment company, as defined in section 3(c)(14) of such Act (15 U.S.C. 80a-3(c)(14)), which is not registered under such Act because it is beneficially owned by less than 100 persons; and

“(ii) that is itself organized or incorporated and domiciled in the United States, or is controlled by a business concern that is incorporated and domiciled in the United States.”.

The CHAIRMAN. Pursuant to House Resolution 1125, the gentleman from Missouri (Mr. GRAVES) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Missouri.

Mr. GRAVES. Madam Chairman, I yield myself such time as I may consume.

Madam Chairman, I would first like to thank Chairwoman VELÁZQUEZ and Ranking Member CHABOT from the Small Business Committee for moving forward with this bill. This bill is critically important to small businesses and innovation in this country.

The SBA provides startup funding to small businesses in a variety of ways. One such program is the Small Business Innovative Research program, or SBIR, which allocates a specific percentage of Federal research and development grant monies to small business applicants. This program allows for cutting-edge innovative research that may not, in its earliest stages, attract funding from other sources. I strongly believe in the SBIR program and what it does for small businesses.

American innovation is what drives this country and economy. As Members of Congress, we need to create an environment that will keep American innovation at the forefront of the global market.

As a member of the Small Business Committee, I work to advocate on behalf of small businesses, and the passage of my amendment will have a tremendous impact on the success of those small firms.

My amendment addresses a problem that began in 2003. The Small Business Administration reversed a 20-year-old policy by ruling that small business companies that are majority venture capital backed could no longer compete for small business grants, regardless of how few employees a company may have. As a result, small businesses are finding it increasingly difficult to acquire the investment capital necessary to start or grow their businesses. This jeopardizes the development of innovative treatments, therapies, and technologies.

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Venture capital funding is critical to capital intensive industries. They provide the needed seed money to help get some of those innovative ideas off the ground. Without this investment, some of our most innovative ideas would never develop.

My amendment will restore majority venture capital backed small companies' eligibility so they can compete for SBIR grants and receive other small business assistance.

Small businesses are providing this country with the ideas and innovation that has become the identity of the United States. Without these thoughts and ideas, the United States will fall behind the rest of the world in innovations and breakthroughs.

Creating an environment that will keep American innovation in the forefront of the global market is a priority of this body, and I am very confident this amendment and bill will help us meet those goals.

My amendment simply makes a couple of technical corrections in title II of the bill which has the support of both the chairwoman and the ranking member of the Small Business Committee. Simply put, this amendment helps remove barriers to participation in the SBIR program.

I would like to thank the staffs of Chairwoman VELÁZQUEZ and Ranking Member CHABOT for all of their hard work on this issue. This bill and amendment have been a work in progress for over 3 years, and I appreciate all of the work they have done on my behalf. This is a very important issue to me, my constituents, and small businesses everywhere, and I am glad to see it before the House today.

Madam Chairman, I reserve the balance of my time.

Ms. VELÁZQUEZ. Madam Chairman, while I am not opposed to the amendment, I ask unanimous consent to claim the time in opposition.

The Acting CHAIRMAN (Ms. BERKLEY). Without objection, the gentleman from New York is recognized for 5 minutes.

There was no objection.

Ms. VELÁZQUEZ. Madam Chairman, I thank the gentleman from Missouri for his amendment and his efforts to improve the bill. Mr. GRAVES has been a leader in our committee on many issues, and I appreciate his efforts to improve this legislation.

This amendment clarifies the availability of venture capital to small companies. It makes sure that we do not end up disqualifying any current participant in the SBIR program.

Madam Chairman, I yield to the gentleman from Oregon (Mr. WU).

Mr. WU. I thank the chairwoman.

I would like to inquire of the proponent of the amendment to clarify that his amendment, the net effect is to permit two corporate owned venture capital firms each to own 10 percent of an applicant as opposed to what is currently in the bill of one corporate owned venture capital firm owning 10 percent of an applicant.

Ms. VELÁZQUEZ. I yield to the gentleman from Missouri for an answer.

Mr. GRAVES. I thank the chairman; and that is correct.

Mr. WU. If the chairwoman would yield for a moment, I would support the gentleman from Missouri's amendment.

Ms. VELÁZQUEZ. Madam Chairman, I reserve the balance of my time.

Mr. GRAVES. Madam Chairman, I yield 1 minute to the ranking member of the Small Business Committee, Mr. CHABOT.

Mr. CHABOT. I thank the gentleman for yielding, and I rise in support of the amendment offered by the gentleman from Missouri (Mr. GRAVES). This is a good amendment that I feel strikes the appropriate balance on the issue of venture capital companies' funding of SBIR participants.

One of the guiding principles that we focused on as we worked on the legislation was the premise that we ought to be funding the best science. By allowing the amounts of venture capital investment in SBIR applicants that are prescribed by this amendment, we are not only ensuring that we are funding the best science, but also maintaining the program's goal of helping small businesses.

The gentleman from Missouri has been a leader on this issue for years, and I applaud his efforts on our committee and throughout the House to find a solution for this issue. And it is a balance here. You can make arguments on both sides, but I think what he has tried to do is to do something that is fair to small businesses and also have the best science.

I thank the gentleman for yielding, and thank him for his leadership on this issue.

Ms. VELÁZQUEZ. Madam Chairman, I am prepared to accept the amendment.

Mr. EHLERS. Madam Chairman, would the gentlelady yield?

Ms. VELÁZQUEZ. I yield to the gentleman from Michigan.

Mr. EHLERS. I am not necessarily in opposition to this amendment, but I